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PP RUEHLMC
DE RUEHLP #1706/01 1741538
ZNY CCCCC ZZH
P 231538Z JUN 06
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 9721
INFO RUEHAC/AMEMBASSY ASUNCION 5948
RUEHBO/AMEMBASSY BOGOTA 3265
RUEHBR/AMEMBASSY BRASILIA 7112
RUEHBU/AMEMBASSY BUENOS AIRES 4372
RUEHCV/AMEMBASSY CARACAS 1656
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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 001706

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E.O. 12958: DECL: 06/23/2016
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KS, BL
SUBJECT: JAPANESE AND CHINESE AMBASSADORS ON BOLIVIA

REF: SECSTATE 70035

Classified By: Amb. David N. Greenlee for reasons 1.4 (b) and (d).

11. (C) Summary: Acting Ecopol Chief met the Chinese and Japanese ambassadors in Bolivia June 20 and 21. The ambassadors shared concerns about the GOB's economic policies, which they said are having a chilling effect on foreign investment. Both ambassadors indicated that their governments are taking a "wait and see" approach to Bolivia, and both expressed concern regarding Venezuelan influence. End summary.

CHINESE AMBASSADOR LOOKS FOR CLARITY IN GOB ECONOMIC POLICY

12. (C) Acting Ecopol Chief met Chinese Ambassador Zhao Wuyi June 20. Zhao said the GOB wants broad relations with China and indicated that President Morales wants to study China's transition from a poor nation to a developing power. Zhao described a variety of Chinese interests in Bolivia and said the bilateral relationship "requires patience."

13. (C) Regarding economic matters, Zhao said China wants to see a "clear policy" from the GOB. He described the recently announced GOB economic plan as vague, declaring it "just words." Zhao said many Chinese investors are interested in Bolivia and noted that his Embassy stands ready to provide information and assistance; due to the unstable economic environment, however, Chinese companies have had "little success." In addition to economic instability, Chinese investors are concerned by Bolivia's lack of infrastructure, particularly roads. Zhao said Chinese firms have small investments in Cochabamba in the wood and soy sectors and affirmed China's interest in purchasing raw materials and energy. According to Zhao, the Chinese are closely observing Morales' actions in the hydrocarbons sector, although he called the recent nationalization "largely symbolic."

14. (C) Ambassador Zhao cited bilateral exchanges as the focus of the mil-to-mil relationship between China and Bolivia. The exchanges normally involve representatives from several Latin American countries, cover diplomatic relations, economics, and politics in addition to military relations,

and include a tour of China. Zhao said China's missile sales to Bolivia are a thing of the past -- China now supports the GOB with trucks and supplies instead of arms to "avoid problems." When pressed, Zhao said China's global policy is to sell defensive, not offensive weapons. He also mentioned that Venezuelan President Chavez wants to buy Chinese planes, but China has not agreed to provide them.

15. (C) On the subject of Venezuela and Cuba, Zhao commented that Morales' leftist tendencies make it natural for the GOB to form close friendships with Cuba and Venezuela. Zhao said, however, that permitting such strong Venezuelan influence is "not the way" for Bolivia and suggested the GOB work with its own people and rely less on charity. Zhao did not see Bolivia as having a "real alliance" with Venezuela and Cuba, instead citing "a few agreements" as the basis of the relationship. He views the three countries as having more "differences" than "coincidences." Zhao distinguished Cuba from Bolivia based on Cuba's armed struggle and discounted Cuba as an economic model for Bolivia. Likewise, he noted that Chavez's Bolivarian aspirations are distinct from Morales' largely indigenous platform.

16. (C) Zhao recognized counternarcotics as one of the United States' principal goals in Bolivia but said China views counternarcotics as an internal problem driven by consumption. He noted that while some cocaine has moved from Venezuela to China via Hong Kong, Bolivian cocaine is not destined for Asia. Zhao said China is not interested in purchasing coca leaf for teas or other industrial uses. Zhao proudly highlighted China's alternative development program (to combat opium growth) and its strong legal framework,

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which includes the death penalty for drug trafficking. He said the Chinese would be happy to share their narcotics experiences with the GOB but did not have a formal dialogue, calling the issue "too sensitive."

JAPAN ENCOURAGES UNITED STATES TO BE PATIENT

17. (C) Poloffs met Japanese Ambassador Mitsunori Shirakawa June 21. He said Japan is waiting for the Morales government's plan to unfold and is carefully monitoring the May 1 hydrocarbons nationalization, adding that Japan's initial impression is this is a "softer" nationalization than the severe state control of the past.

18. (C) According to the ambassador, Japan wants to see democracy prevail in the Constituent Assembly. Shirakawa said he thinks the MAS's goal of changing Bolivia and rectifying past wrongs is sound but commented that the Morales government's "ends do not justify their means." He expressed concern about the consolidation of power in the central government but said Japan has no plans to change its policies toward Bolivia; to do so now, he said, "would be premature." Shirakawa said Japan's extensive aid to Bolivia, which the Japanese central government approves project by project according to their "criteria," will continue. The Japanese ambassador complimented U.S. policy toward Bolivia and encouraged us to be patient.

19. (C) Shirakawa expressed surprise at Morales' public comments about the United States, including his "death to the Yankees" rallying cry and his more recent statements about Bolivia arming, along with Cuba and Venezuela, against a U.S. invasion. He said Morales' "emotional" nature and lack of formal education contribute to such conduct. Shirakawa also lamented the GOB's violations of confidentiality. When Japan's special envoy was in Bolivia for Morales' inauguration, the ambassador said, the two countries agreed that Japan would consider the possibility of importing certain Bolivian products. Japan made no commitment. The following day, Morales announced that Japan would import Bolivian goods. Shirakawa said the Japanese were embarrassed

by Morales' declaration, but after struggling with the decision, decided not to publicly correct Morales' misstep.

¶10. (C) Shirakawa told poloffs Japan has no investment in Bolivia. Japanese firms recently pulled out of the mining sector, and while some are interested in returning, the unstable economic environment has prevented them from moving ahead. Shirakawa mentioned Japan's negotiations for a free trade agreement with Chile, which Japan hopes to conclude by the end of the year. He said that due to "manpower" constraints, Japan negotiates with one country at a time. When asked if Japan is considering a trade agreement with Bolivia, he laughed, saying that "nobody is talking about that."

¶11. (C) According to Shirakawa, the most important item on Japan's bilateral agenda is land reform. He referred to two Japanese "colonies" in the Santa Cruz department that are worried about the redistribution of their fairly large landholdings. Shirakawa said the GOJ has communicated its concerns to the GOB and hopes that since the lands are productive, the colonies will be left alone.

¶12. (C) The Japanese ambassador was curious about U.S. policy towards Venezuela and Bolivia and was relieved to hear that the United States distinguishes between the two countries. He said Japan is closely observing Venezuelan influence in Bolivia and speculated about how long Venezuelan financial support will last. Shirakawa commented that it is natural for Morales to accept Chavez's aid but noted that the GOB will be "indebted" to the GOV.

COMMENT

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¶13. (C) Both ambassadors were pleased to exchange views with the Embassy and expressed interest in continued dialogue. Neither, however, appears to exert significant influence over the Morales government.
GREENLEE